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TAGS: [ECON](#) [EFIN](#) [PREL](#) [PGOV](#) [MD](#)
SUBJECT: MOLDOVA'S NEW ANTI-MONEY LAUNDERING LAW

Classified By: Ambassador Michael D. Kirby for reasons 1.4(b) and (d).

1. (C) SUMMARY: In July 2007, in response to concerns from the international community about insufficient anti-money laundering (AML) safeguards in the Government of Moldova's (GOM) tax and capital amnesty law, Parliament adopted USG-drafted amendments and a new, modern AML law. The GOM and regulatory agencies moved quickly to promote implementing regulations, protecting the reputation and integrity of Moldova's financial system. Our efforts to exclude confidentiality and apply AML filters to the capital

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legalization process effectively eliminated potential avenues for money-laundering. Coordinating with other donors, we plan to provide technical assistance to increase the capacity of the financial system and law enforcement in order to identify, prevent and investigate money laundering. END SUMMARY.

FOLLOW-UP ON AML IMPLEMENTATION -----

12. (C) On March 17-20, Frederick Reynolds from the Department of Justice's Office of Asset Forfeiture and Money Laundering (AFMLS) visited Chisinau to follow-up on implementation of Moldova's tax amnesty and capital legalization legislation and the new AML law. Post's Resident Legal Advisor sponsored the visit with the support of DOJ's Office for Overseas Development and Training (OPDAT). In the summer of 2007, Reynolds commented extensively on both laws, noting particular concern about provisions of the tax and capital amnesty that strictly protected confidentiality and exempted declared assets from Moldova's fiscal, customs and AML legislation. Following recommendations from the international community led by the U.S., Parliament adopted amendments which closed loopholes in the tax and capital amnesty law, eliminating the exemption of amnesty-related transactions from Moldova's AML law, and adopted a new, modern AML bill.

GOM COMMITTED TO AML/TF -----

13. (C) Minister of Economy Igor Dodon, our main interlocutor throughout the summer of 2007, noted the GOM's commitment to maintaining the image and reputation of Moldova's financial system, an important factor in attracting much-needed foreign direct investment. Reynolds acknowledged the quantity and quality of reforms undertaken by Moldova's financial regulators, and thanked Dodon for his leadership in promoting politically difficult reforms. Dodon stated that legalization transactions of cash and securities had been limited, noting that most transactions involved property. The National Bank of Moldova (NBM) reported that cash legalization transactions totaled about Moldovan Lei 15 million (about USD 1.3 million), USD 240,000 and EURO 105,000. According to information provided by Dodon, non-cash transactions totaled about MDL 93 million (about USD 8.4 million). Dodon added that the GOM would soon use the capital legalization law to re-value state-owned companies, sending a signal to the private sector that the GOM was serious about economic reform. Dodon welcomed the offers of assistance from DOJ/AFMLS and FINCEN.

THE FINANCIAL SECTOR RESPONDS -----

14. (C) Since the adoption of the new AML law, the National Bank of Moldova (NBM) has been active, adopting new regulations for commercial banks on the processing of amnesty-related transactions, tightening internal controls, strengthening know-your-client requirements and adopting amendments regarding additional prudent measures. The NBM has maintained a close dialogue with commercial banks,

providing guidance on implementation of the new law based on the Basel Conventions on Banking Supervision. Supporting the NBM's efforts and in coordination with USG assistance, the IMF will launch an AML technical assistance project. The newly created National Commission on Financial Markets (NCFM), established in July 2007 and responsible for non-bank financial services, has also responded, adopting implementation regulations for capital legalization transactions and the new AML law. The NCFM works closely with the Council of Europe, collaborating on AML training for the securities and insurance sectors.

THE CHILLING EFFECT OF PROPER AML CONTROLS

15. (C) Representatives of two commercial banks, Agroindbank and FinComBank, acknowledged the increased sophistication of the 2007 AML law, noting a need for more training on implementation. One commercial bank noted that interest in the GOM's capital legalization initiative fell after the confidentiality guarantees of the original legislation were

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eliminated. The banks noted an effort on the part of the NBM, but complained about a lack of clear guidance. They also highlighted their increased administrative burdens under the new AML law. Both bank representatives welcomed offers of U.S. assistance that brought together the financial sector, the financial intelligence unit, and law enforcement to discuss reporting, investigating and preventing money laundering.

COMMENT

16. (C) The reform elements of the GOM responded to the concerns of the international community, allowing the adoption of amendments which closed potentially dangerous loopholes in the tax amnesty and capital legalization law, protecting the reputation of Moldova's financial system. First Deputy Prime Minister Greceanii, recently nominated by President Voronin to be Prime Minister and confirmed by Parliament on March 31, was instrumental in gaining the Executive's support for our proposed amendments. Dodon, who kept his ministry and was also promoted to First Deputy Prime Minister, was also a strong supporter and, given the level of details in our conversations, has maintained personal oversight of this issue. Dodon inquired about current deficiencies in the AML system, asking what training or additional reforms were necessary. Reynolds acknowledged the need for training, but agreed with Dodon's assessment that the "devil is in the details" of implementing current legislation.

17. (C) Given the IMF's lack of project experience, we plan to work closely with the IMF's Legal Department in Washington to coordinate and guide its technical assistance. Post will continue to coordinate with the Council of Europe through our DOJ Resident Legal Adviser. Because of the positive measures adopted by the GOM, post suggests that FINCEN support and, if possible, sponsor Moldova's membership in the Egmont Group at the next regularly scheduled meeting. END COMMENT.
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